

# DRAFT

## MINUTES

Policemen's Pension and Relief Fund

Thursday, October 14, 2010

On Thursday, October 14, 2010 at approximately 9:00 a.m., a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

### **Agenda Item #1. Call to Order/Roll Call**

[00.00.07 into the pension audio]

The Chairman called the meeting to order at approximately 9:00 a.m., and certified that a quorum of the Board was present. The Roll Call was as follows:

PRESENT:	Bruce Moore	Chairman
	Steve Young	Secretary
	Sara Lenehan	Treasurer
	Farris Hensley	Member
	Lee Harrod	Member
	Don Wood	Member
ABSENT:		
	David Rowan	Member

Also present were Mr. Bo Brister, Mr. Larry Middleton, and Mr. Alex Jordan, Stephens Capital Management, Financial Consultants for the Fund; Mr. Chris Pledger, Kutak Rock LLP, Legal Consultant for the Fund; Mr. Roger Smith, Government Relations Lobbyist for the Fund; and Mrs. Kathy Lindsey, Pension Fund Administrative Staff.

### **Agenda Item #2. Notification of News Media.**

[00.00.18 into the pension meeting audio.]

The Chairman stated the media had been properly notified in a letter dated September 27, 2010, to the Arkansas Democrat Gazette.

### **Agenda Item #3. Approval of the September Regular Meeting Minutes, and the Minutes of the September Special Meeting to interview prospective Financial Advisors.**

[00.00.21 into the pension meeting audio.]

The Minutes for the September Regular Meeting and the September Special Meeting resulted in a motion from Mr. Harrod [00.01.04 into the pension meeting audio] to approve the Minutes of both meetings, as amended by the correction of two (2) misspelled names. The motion was seconded by the Treasurer and passed by a unanimous vote of the Board.

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**Agenda Item #4. Report from Dover Dixon Horne Law Firm.**

[0.01.24 into the pension meeting audio.]

[This item was tabled until the next meeting of the Board due to the fact that representatives of the law firm had been told they would not be needed at this meeting.]

**Agenda Item #5. Report from Stephens Capital Management. [Out of Agenda Order]**

[00.25.42 into the pension meeting audio.]

[When this item came up on the Agenda, the Board decided to move to item #13 to consider the appointment of the Board's legal counsel and returned to this item after that decision was made.]

A. September Financial Report — Mr. Middleton, Mr. Brister, and Mr. Jordan, Financial Consultants for the Fund, gave the September 2010 financial report and stated that on September 30, 2010, the market value of the total Fund was \$46,451,246 of which \$23,032,491.12 was allocated to DROP. This represents an increase in the account balance of \$1,640,091 since August 31, 2010. The component of this change was income of \$106,272.89 and net contributions/withdrawals of \$542,134.40. Additionally, \$395,301.22 was held in the Metropolitan Checking Account. The Funds overall market rate of return for the month of September 2010 was 4.87% and 5.92% calendar year to date.

After considerable discussion concerning the current problems in the stock market and necessary changes to the Board's investment policy to allow commodities in the funds portfolio, Mr. Hensley made a motion [00.49.15 into the pension meeting audio] to approve the necessary policy changes made to the Board's investment policy on pages 2, 3, 4, and 9, as recommended by the Treasurer. Those policy changes were:

- Delete "10%" and insert "20%" after the "Maximum Alternative" in the last line of subsection F. 1. of the *Investment Policy* on page #2
- Delete "Real Estate" and insert "(excluding those prohibited below)" at the end of "Alternative Investments" in subsection F. 4. of the *Investment Policy* on page #3
- Delete "Commodities" from the list of prohibited securities in section F. 4. and removed an unnecessary paragraph mark before subsection F. #7 of the *Investment Policy* on page #4
- Delete "on the anniversary of the Qualified Participant's participation in the DROP" and insert "as of the end of the fiscal year upon receipt of the certified rate of return from the actuary for the pension fund and adoption by the Fund's Board of Trustees" from the end of subsection D. 2. of the *Deferred Retirement Option Plan* on page #9

Mr. Young seconded the motion and the motion passed by a unanimous vote of the Board.

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74 After some minor discussion concerning the previous recommendation of the Board's Financial  
75 Consultants that the Board authorize an investment in a commodity offered by Goldman Sachs  
76 of up to 3%, Mr. Hensley made a motion [00.51.01 into the pension meeting audio] to approve  
77 that authorization. Mr. Young seconded the motion and the motion passed by a unanimous  
78 vote of the Board.

79 [The Board decided to go to Item #12 on the Agenda to ask for clarification of specific issues  
80 mentioned only by Stephen's Inc., during their previous interview for Financial Advisor in the  
81 RFQ meeting of September 15, 2010.]

## 82 **Agenda Item #6. Discussion of A.C.A. § 24-11-405.**

83 [02.12.32 into the pension meeting audio.]

84  
85  
86 A. Opinion of City Attorney — [No opinion of the City Attorney was provided]

87  
88 The Chairman stated that due to the change in City government structure created a few years  
89 ago by the citizens of Little Rock that the Mayor is now designated as the "CEO" (Chief  
90 Executive Officer) and he is designated as the "COO" (Chief Operating Officer).  
91 Consequently, the Mayor had issued an "Executive Order" dated September 23, 2010, under  
92 the authority of city ordinance No. 19,761 authorizing City Manager Bruce Moore to act as his  
93 "designee" to the Little Rock Police Pension Board pursuant to A.C.A. § 24-11-405(a)(1) and  
94 Mr. Moore passed out copies of this "Executive Order" to the Members of the Board. Mr.  
95 Young doubted the legality of the "Executive Order" and stated, "with all due respect, I would  
96 like our attorney to review this matter." Mr. Young went on to state that he was aware of an  
97 Arkansas Attorney General's Opinion [No. 99-235] that stated, basically, that the Mayor had no  
98 authority to designate someone else to fill a post that the Arkansas Code specifically required  
99 him to fill and asked the Board's attorney to report back to the Board on this matter at its next  
100 meeting.

## 101 **Agenda Item #7 Discussion of PRB Issues**

102 [02.16.31 into the pension meeting audio]

103  
104  
105 A. Guarantee Funding — Mr. Young stated that we are still waiting on the Arkansas Attorney  
106 General's Opinion on this matter and that he had called Mr. David Clark, PRB Executive  
107 Director, the day before and determined the opinion had not yet come in. He stated that the  
108 only communication the PRB had from the Attorney General's Office concerning this  
109 matter was their acknowledgment of receiving the request for an opinion on September 15,  
110 2010 and that the AG's website claims most requests for opinions are processed within  
111 thirty (30) days; however, opinions are released in accordance with the work load of the  
112 Attorney General's Office so there is no way of knowing when the opinion will be  
113 completed.

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- 115 B. 2009 DROP Interest Certification — Ms. Lenehan confirmed a new certification letter  
116 obtained from the PRB actuary [02.17.48 into the pension meeting audio] that our fund's  
117 annual rate of return for investment funds after filing our 2009 amended financial report  
118 was 8.22% and would be 6.22% for our DROP members returns which is two percentage  
119 points below our net annual rate of return. Mr. Harrod questioned the disparity between the  
120 8.22% and the 9% and was told that the 9% represented the gross rate of returns and the  
121 8.22% represented the net rate of return calculated after deducting the investment fees for  
122 the investment transactions. Mr. Hensley made a motion [02.24.13 into the pension  
123 meeting audio] that the Board accept the PRB's certification so that it can be applied to our  
124 DROP member accounts. Mr. Harrod seconded the motion and the motion passed by a  
125 unanimous vote of the Board.  
126

## 127 **Agenda Item #8. Report from Mr. Roger Smith.**

128 [02.30.05 into the pension meeting audio.]

- 129 A. Discussion of Legislative Matters — Mr. Young brought up the issue [02.35.36 into the  
130 pension meeting audio] of retired law enforcement officers being able to carry a firearm  
131 without the need to qualify on an active duty police officer shooting range and had  
132 previously discussed this issue with Mr. Alan Hamby, State FOP President, who mentioned  
133 that Mr. Smith would look into the issue. Mr. Young asked if any progress had been made  
134 on that issue and wanted the matter placed in our legislative package if the State FOP was  
135 not going to bring the matter forward. Mr. Smith stated he would check into that matter.

136 Mr. Young then brought up the issue [02.39.11 into the pension meeting audio] concerning  
137 the lack of ability for the widows of our pension fund to receive the longevity bonus of their  
138 deceased husbands as part of their benefits that currently does not exist under Arkansas law  
139 and asked if the PRB was going to bring that matter forward or, if not, the Little Rock  
140 Police Pension Board wanted to make that a part of their legislative package. Mr. Smith  
141 stated he would look into this issue as well.

- 142 B. Discussion of A.C.A. § 24-11-211 — Mr. Harrod mentioned [02.42.01 into the pension  
143 meeting audio] that this issue involved increasing the Police Supplement Program funding  
144 from \$50 to \$150 because the amount had not been increased in over ten (10) years. Mr.  
145 Smith stated he would draft appropriate legislation for us to review.

- 146 C. Discussion of A.C.A. § 24-11-303 — Mr. Young stated [02.48.46 into the pension meeting  
147 audio] that this section of law dealt with the money collected by the state for local police  
148 pension plans by taxing automobile insurance companies for the sale of insurance on motor  
149 vehicles. Subsection (c) of that section allows the tax to be collected from insurance  
150 purchased on vehicles in rural or unincorporated areas of the state but does not allow those  
151 particular funds to be deposited for the use of local pension plans. Instead, the money goes  
152 to the State's general revenue fund for whatever purpose the state may chose. Mr. Young  
153 stated that this appeared to be a violation of Article 16 § 11 of the Arkansas Constitution  
154 that forbids the use of tax money collected for one purpose to be used for another purpose.  
155 Mr. Smith also stated he would check on this matter.

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156  
157 **Agenda Item #9. Report from Ms. Sara Lenehan.**

158 [03.09.39 into the pension meeting audio.]

- 159       A. Financial Reports — Ms. Lenehan submitted copies of the un-audited financial reports for  
160       September:

161       Income to the plan year-to-date through September 30, 2010, was \$2,299,798. As of  
162       September 30, 2010, the fund's total account fund balance including DROP, was  
163       \$46,766,500 with \$23,032,246 allocated to DROP. Monthly benefit expenses totaled  
164       \$581,219 and DROP withdrawals totaled \$65,223. The net income/loss for the month was  
165       \$1,648,413.

166       Also submitted were copies of the June expense and legal fee reports. Expense reports  
167       showed non-benefit expenses totaled \$2,676.30 for the month and \$21,601.90 year-to-date.  
168       The attorney's fees paid in September were \$1,087.50.

169       Mr. Hensley made a motion [03.24.22 into the pension meeting audio] to approve the  
170       financial report as submitted. Mr. Harrod seconded the motion that passed by unanimous  
171       vote of the Board.

- 172       B. Review of Investment Policy Changes — [This item was handled under Item #5.]

- 173       C. Report concerning past Legal Fee Bills — [This item was tabled until the next Board  
174       meeting.]

175  
176 **Agenda Item #10. Report from Mr. Bruce Moore.**

177 [02.28.40 into the pension meeting audio]

- 178       A. Funding Committee Meeting Date — [This item was covered under Item #12 and a date  
179       was set for November 10, 2010 at 10 a.m. in the City Board of Directors Room at City  
180       Hall.]

- 181       B. Reimbursing the Fund for Past Unpaid Probation Fees — [This matter was tabled until the  
182       next pension meeting.]

183  
184 **Agenda Item #11. Board Election of New Secretary**

185 [03.27.22 into the pension meeting audio.]

186  
187       Mr. Hensley read his resignation as Board Secretary that stated, "It has been a tremendous  
188       honor to serve members of the Pension Fund as their Board Secretary for the past seventeen  
189       years. However, due to circumstances involving other personnel commitments, I will be unable  
190       to continue serving in that capacity."  
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Mr. Moore added that he, along with his predecessors, “appreciated your service in your long tenure to your members and your colleagues. You’ve done an excellent job in this very important job and you have been very professional and responsive in your role as Secretary.”

Mr. Wood made a motion [03.29.16 into the pension meeting audio] to appoint Mr. Young as the new Secretary and pay him \$250 per month to perform those services. Mr. Harrod seconded the motion that passed by a vote of 5 for with Mr. Young abstaining.

**Agenda Item #12. RFQ Process for Financial Advisor. [Out of Agenda Order]**  
[00.57.54 into the pension meeting audio.]

The Board questioned the representatives of Stephens Inc., to obtain clarification on issues raised only by this firm during their recent interview for Financial Advisor presented during the September 15, 2010, Special Meeting of the Board. After obtaining that clarification from Stephens Inc., the Board asked the firm to wait until we called them back into the meeting and took a brief recess at approximately 10:25 a.m.

The Board got back in session at approximately 10:33 a.m. and resumed their consideration of Item 12 on the Agenda.

After considerable discussion among the Board members about the three (3) firms interviewed for the position of Financial Advisor to the Board, Mr. Young made a motion [00.53.54 into the pension meeting audio] that the Board retain Stephens Inc., as its Financial Advisor subject to the Board’s approval of their fees for such services. Mr. Wood seconded the motion that passed by a unanimous vote of the Board.

The Board then asked the representatives of Stephen’s Inc., to rejoin the meeting and informed them of the vote previously taken. Stephens Inc. thanked us for our continued confidence in their firm and the Board discussed several matters concerning the meeting currently scheduled for November 10, 2010, with the PRB concerning our “insolvent fund” designation by the PRB with the representatives of Stephens Inc.

**Agenda Item #13. RFQ Process for Legal Counsel. [Out of Agenda Order]**  
[00.02.35 into the pension meeting audio.]

After considerable discussion of the terms contained in the Engagement Letter from Kutak Rock LLP, Mr. Hensley made a motion [00.18.57 into the pension meeting audio] to approve the contract with Kutak Rock LLP, subject to the amendments concerning exorbitant facsimile charges and a provision for a two year agreement with an option to renew for another two years specified by the Board. Mr. Young seconded the motion that passed by a vote of five (5) for and one (1) abstention, due to the fact that the Treasurer had a relative apply for the position.

**Agenda Item #14. Member Comments.**

[There were no members present.]

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231  
232 **Agenda Item #15. Other Business. [Out of Agenda Order]**

233 [03.13.51 into the pension meeting audio.]  
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235 Mr. Hensley made a motion to add Lyn Forester to the pension rolls effective October 15, 2010  
236 at a monthly benefit amount of \$2,804.60; to remove from the pension rolls Ron Bullerwell  
237 who's date of death was September 20, 2010 and who received a monthly benefit amount of  
238 \$2,215.60 and add his widow, Sheila Bullerwell, to the pension rolls effective October 1, 2010  
239 at a monthly benefit amount of \$2,195.83; and approve the award of \$6,500 death benefit for  
240 Ron Bullerwell and to extend the Board's condolences to the family. Ms. Lenehan seconded  
241 the motion and the motion passed by a unanimous vote of the Board.  
242

243 Mr. Lenehan then brought up an issue concerning the benefit payment of \$125 per month for  
244 the child of a deceased pension member who turns eighteen (18) years of age before graduating  
245 from high school this month. According to A.C.A. § 24-11-425 it appeared the benefit must  
246 stop upon attaining their eighteenth birthday; however, Mr. Wood made a motion [03.23.31  
247 into the pension meeting audio] that the pension board pay the payment for October to provide  
248 time to ask our attorney about this matter. Mr. Young seconded the motion and the motion  
249 passed by a unanimous vote of the Board.  
250

251 Mr. Hensley stated his issued laptop computer required extensive repair with the estimated cost  
252 of \$380 and was approximately five (5) years old. He asked the Board if they wanted him to  
253 have it repaired or approve the purchase of another one. Mr. Harrod made a motion [03.42.32  
254 into the pension meeting audio] that the Board purchase a new laptop for Mr. Hensley. Mr.  
255 Wood seconded the motion and the motion passed by a unanimous vote of the Board.  
256

257 **Agenda Item #16. Adjourn Meeting.**

258 [03.02.36 into the pension meeting audio.]

259 Upon conclusion of Pension Board business, Ms. Lenehan made a motion to adjourn. The  
260 motion was seconded by Mr. Harrod and passed by a unanimous vote of the Board at  
261 approximately 12 45 p.m.  
262

263  
264  
265  
266 Respectfully Submitted,

267  
268  
269 Stephen R. Young  
270 Board Secretary